

WEEKLY CURRENCY REPORT



Date Issued | 8th June, 2020



GLOBAL FX MARKET

USD: The dollar was modestly higher on Friday after data showed the U.S. labor market unexpectedly improved in May. The currency, however, ended the week lower for a third consecutive week as uncertainty about the U.S. economy capped gains. The improving risk appetite has reduced demand for the greenback, which benefits from safe haven buying when markets are volatile and investors are reluctant to take risk. The dollar dipped by 2.81% and 1.71% against the pound and the euro respectively. We expect the dollar to rebound as better-than-expected U.S. employment data raised expectations for a quicker global economic revival.

GBP: The pound rose and was set for its biggest weekly gain against the dollar since the end of March on Friday, even though European Union and British negotiators said there had been little progress in Brexit trade talks. Britain left the EU in January with just few weeks left to extend a year-end deadline to reach a trade deal. The pound inched up by 2.89% and 1.17% against the dollar and the euro respectively. We therefore expect the pound to remain stable as Britain and the European Union launch a fourth round of virtual post-Brexit talks this week to try to secure a trade deal.

EUR: The euro jumped to a 12-week high against the U.S. dollar on Friday after the European Central Bank (ECB) increased stimulus to shore up economies hurt by the coronavirus pandemic. The ECB increased the size of its Pandemic Emergency Purchase Program (PEPP) to 1.35 trillion euros (\$1.52 trillion) from 750 billion euros. This increment came in more than the 500 billion-euro most analysts had expected. The ECB also extended the program until June 2021 at the earliest, with a pledge to reinvest proceeds until at least the end of 2022. The euro improved by 1.74% against the dollar but dipped by 0.71% against the pound. We therefore expect the euro to continue soaring against other currencies.

AFRICAN FX MARKET REVIEW AND OUTLOOK

GHANA: GHS: 5.62 USD1; GHS: 7.14 GBP1; GHS: 6.36 EUR1

- In the just ended week, the Ghana cedi declined further against all tracked currencies in our basket. The cedi dipped against the dollar by 0.05%. Against the pound and the Euro, it dropped by 3.12% and 1.89% respectively.

- The cedi has declined for the past two weeks as risk sentiment improves and stocks jump on optimism that the worst of the economic downturn from the coronavirus has passed.

- The local unit depreciated slightly against the dollar on the back of eased lockdown restrictions and signs of an economic bounce back due to pent-up demand.

- Diversification of investment into countries with improving economies continue weigh on the cedi as investors seek more foreign notes.

- FX auction strategy and regulation by the Bank of Ghana was not enough to support the cedi from depreciating against the hard currencies.

- Increase in marketing activities led to high demand for FX for business transactions exceeding the limited foreign inflows as a result of closed borders weighed on the cedi.

- The cedi remained supported by the gradual improvement in oil prices which in turn generated foreign currencies for the country.

- In the week ahead, we expect the cedi to remain under minimal pressure as other developing countries continue to increase stimulus to shore up economies hurt by the coronavirus pandemic.

SOUTH AFRICA: ZAR: 16.85 USD1; ZAR: 21.31 GBP1; ZAR: 19.12: EUR1

- In the week under review, the rand appreciated against all tracked currencies in our basket. Against the dollar and the pound, the rand improved by 4.15% and 1.32% respectively. Against the euro, it also advanced by 1.92%.

- South Africa's rand raced to an 11-week high against the U.S. dollar last Friday, supported by a risk rally as an unexpected fall in the U.S. unemployment rate brought back hopes of a swift economic recovery.

- South Africa's rand also re-ignited its rally spurred on by the European Central Bank's larger-than-expected increases of its stimulus program, attracting investors looking for risk assets.

- The rand also witnessed a rally despite weak local economic data, as investors bet on a faster recovery of the global economy, stalled in the previous session as investors took profits and awaited job data from the United States.

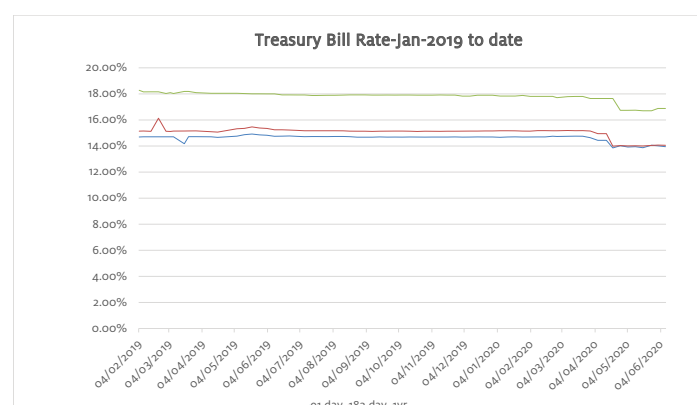
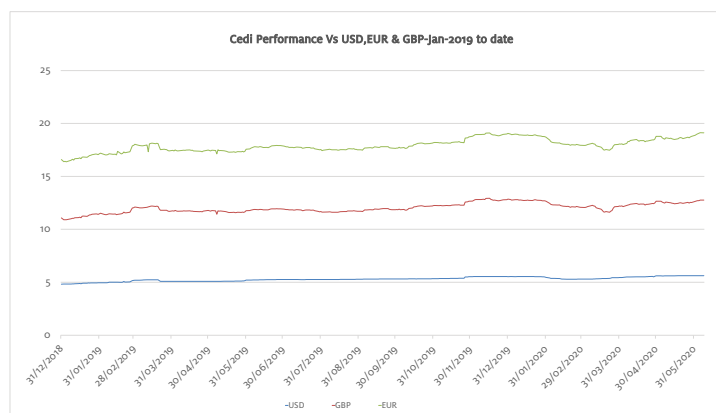
- We therefore expect the rand to come under pressure this week in anticipation of the direction of the Federal Reserve interest rate decision and policy statement on Wednesday.

GLOBAL FX MARKET UPDATE (WEEKLY CHANGES %)						
REGION	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
USA	1.0000	0.00	1.2725	(2.81)	1.1330	(1.71)
Europe	0.8826	1.74	1.1180	(0.71)	1.0000	0.00
UK	0.7859	2.89	1.0000	0.00	0.8890	1.17

Sources: GCB Bank, Central bank websites

AFRICAN FX MARKET UPDATE (WEEKLY CHANGES %)						
COUNTRY	US\$	Wkly (%Δ)	£	Wkly (%Δ)	€	Wkly (%Δ)
Ghana	5.6230	(0.05)	7.1415	(3.12)	6.3605	(1.89)
Nigeria	360.5000	0.00	456.9700	(2.49)	408.5190	(1.73)
Kenya	106.0870	0.81	133.4870	(1.76)	119.0590	(1.05)
BCEAO*	577.7500	2.16	731.2500	(0.44)	655.9600	0.00
S. Africa	16.8481	4.15	21.3111	1.32	19.1175	1.92

Sources: GCB Bank, Central bank website

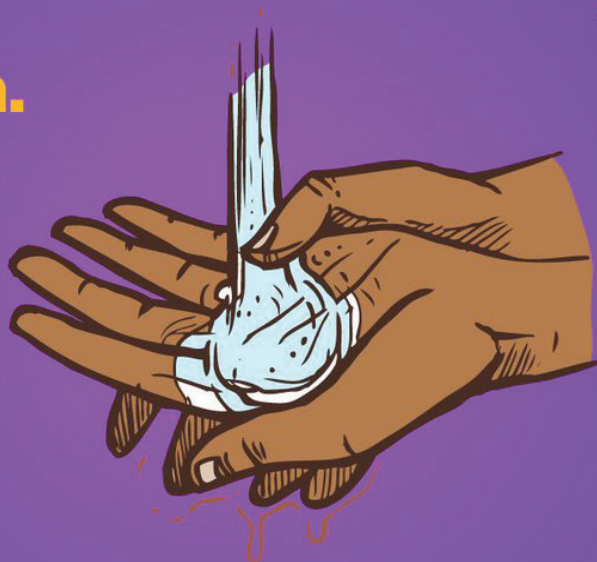


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